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TAGS: [PARM](#) [MTCRE](#) [PREL](#) [ETTC](#) [CH](#) [IR](#)

SUBJECT: (S) CHINA STILL INVESTIGATING LIMMT; URGES THE  
UNITED STATES NOT TO IMPOSE SANCTIONS

REF: A. BEIJING 716  
[1](#)B. BEIJING 481  
[1](#)C. STATE 14066

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.  
4 (b), (c) and (d).

[1](#)1. (S) China continues to investigate the export control activities of LIMMT and urges the United States not to impose sanctions on this Chinese firm, MFA Arms Control and Disarmament Department Missile Division Deputy Director Wang Daxue told PolOff on March 11. Recalling the recent U.S. information shared with China on LIMMT and the U.S. request that China provide an update on its investigation by February 29 (reftels), Wang said he was instructed to share the following four points:

-- First, China continues to investigate LIMMT. China understands the United States "might be disappointed" that "no final result" has been reached, but China is still carrying out a "serious investigation."

-- Second, China attaches "great importance" to this matter and since 2003 has imposed administrative measures against LIMMT and its head, Karl Lee. China continues to monitor Lee.

-- Third, Lee and "his companies" operate under the authority of Chinese law. China is concerned about Lee and now has a clearer picture of his firms' export activities. This matter should be dealt with in accordance with Chinese law.

-- Fourth, if the United States imposes sanctions on LIMMT, it will jeopardize bilateral nonproliferation cooperation and politically complicate China's internal investigation and any punishment the Chinese Government might impose on Lee and his firm. China urges the United States, on the basis of our larger bilateral nonproliferation cooperation, not to impose sanctions on LIMMT.

[1](#)2. (S) When asked when China might complete its investigation, Wang said he is unable to provide an estimated date, saying this is the "most complicated" inter-agency investigation he has ever seen in his MFA experience. The MFA, the Ministry of Commerce, Customs and "intelligence officials" are all working very hard and have expended a lot of resources on this investigation, he said. However, Lee is "clever and smart" and very knowledgeable about Chinese export controls. Because Lee exported dual-use items that fall into a "grey area" of Chinese law, China is trying to find "solid legal evidence" to use against him, Wang stated.

[1](#)3. (S) Wang said Beijing is still searching for all of the entities that Lee used to carryout his export activities and has been unable to uncover any information on Dalian Sunny Industries. China welcomes any additional information the United States can share on this particular entity, he added.  
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